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Chief Administrative Officer

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Supervisor Gloria Molina
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From: David E. Janssen
Chief Administrative Officer

WASHINGTON, D.C. UPDATE

Federal Fiscal Year (FFY) 2006 Budget Reconciliation Legislation

Early this morning, the House approved, 212 to 206, the conference report on S. 1932, the FFY 2006 budget reconciliation bill, which would reduce mandatory (entitlement) spending by an estimated $39.7 billion over five years. The previous Senate-passed version would have cut mandatory spending by $34.7 billion over five years while the House version would have cut $49.5 billion. The Senate will begin floor debate on the bill later today with the vote on final passage expected on December 20, 2005.

Our preliminary assessment of the 700-page conference report is that the bill would result in a significant loss of Federal funding and shift in costs to California and the County. For example:

- Federal child support enforcement funding would be reduced by an estimated $1.5 billion over five years and $4.9 billion over ten years by capping Federal incentive payments at $458 million in FFY 2006 and eliminating the ability of states to use such payments as matching funds beginning in FFY 2008. The conference report does not include the other House child support provision which would have gradually reduced the Federal child support enforcement match rate from 66 percent to 50 percent.

- It includes language reauthorizing Temporary Assistance for Needy Families (TANF) through FFY 2010, which would impose more stringent TANF work participation requirements. We understand that the Congressional Budget Office (CBO) estimates that it would cost states an estimated $8.4 billion over five years to meet these added work requirements and another $11.5 billion over five years to meet the increased need for child care services. The bill, however, freezes TANF funding and increases childcare funding by only $1 billion over five years. The bill's work participation requirements would be especially onerous for California to meet because they also would be applied to adult recipients of State maintenance-of-effort funded services. None of the previous TANF reauthorization bills included language applying work participation requirements to State-only recipients.

- Title IV-E foster care funding would be reduced by overturning the Rosales v. Thompson decision, which allows certain children placed with relatives to qualify for IV-E payments, and by reducing IV-E administrative matching funds for children placed with relatives, potential candidates for foster care, and children transferred from an institution outside the child welfare system. California would be disproportionately hurt by these cuts because the court decision only applies to states in the Ninth Circuit and because the State currently receives over one-fourth of all IV-E foster care funding.

- The ability of states to use managed care organization (MCO) fees to finance the non-Federal share of Medicaid costs would be eliminated except that the four states, including California, which currently use MCO fees would be allowed to continue to do so until FFY 2009. There also is a transition rule limiting the loss in FFY 2009 to one-half of what a state, otherwise, would have received in Federal Medicaid matching funds.

- The bill would restrict the use of Medicaid funds for case management services, including by prohibiting states from claiming Medicaid reimbursement for case management services if any other Federal, state, or local program exists that potentially could fund such services. This would mean that Medicaid no longer would be available to serve Medicaid eligible individuals with special needs, such as those who may be developmentally disabled, mentally ill, abused or neglected, or have HIV/AIDS. The bill also would shift costs from the Federal government to State and local governments by restricting the use of Medicaid for targeted case management services for foster children who are not eligible for case management services funded under Title IV-E.

- The bill would make it more difficult for persons to qualify for Supplemental Security Income (SSI) based on disability by requiring an additional Federal review of a portion of disability cases. The CBO estimates that this change would result in about 20,000 fewer applicants qualifying for SSI and Medicaid over the next ten years. This would result in a cost shift to the County because, under State law, needy individuals who are ineligible for SSI and Medicaid must be provided County-funded General Relief and medical assistance.

One positive note in the budget reconciliation bill is that it would require broadcasters to transition from analog spectrum to digital television by February 17, 2009, assign about one-fourth of the freed spectrum to public safety agencies, and use $1 billion of the estimated $10 billion in spectrum sale receipts for grants to improve interoperable communications between first responders. Under the bill, grants would be made for a three-year period, and a portion of the grants would be distributed "in a manner that gives priority to those public safety agencies in areas designated as a high risk for natural disasters and threats of terrorism." Of the remaining proceeds from the spectrum sale, $7.4 billion would be devoted to deficit reduction and $1.5 billion would be used to help consumers who own analog television sets to purchase set-top boxes to convert digital signals. Another positive note is that the conference report did not include House language which would have extended the current five-year ban on Food Stamp eligibility for legal immigrants to seven years.

We will continue to keep you advised.

DEJ:GK
MAL:MT:kg

c: Executive Officer, Board of Supervisors
County Counsel
All Department Heads
Legislative Strategist